

Consumption

Global Trends and Factors in Consumption

Increases in disposable income undoubtedly augment food purchases in low and middle-income countries. Further, of these boosts in purchasing power, a higher proportion is spent on purchases of higher-value products such as meat and dairy. Thus, macro-economic stability and growth in low and some middle-income countries results in higher consumption of red meat and poultry, providing new growth-market opportunities for domestic producers and world suppliers.

Not only are low and middle-income countries increasing their per capita consumption, they are also gradually accounting for a greater share of world consumption. China's pork consumption accounted for only 50 percent of pork consumption in major pork consuming countries in 2001 and is forecast to account for 53 percent in 2006. Alternatively, the European Union's share of pork consumption is forecast to decrease from 24 percent to 22 percent from 2001 to 2006.

Red meat and poultry demand in developed countries such as the United States is strong. Given the already relatively high level of consumption, per capita consumption of these products cannot be expected to gain sharply. However, demand in higher income countries is shifting to more convenient and processed products, creating opportunities for value-added meat products.

Beef

Anticipating a healthy 6 percent increase in consumption in 2006 to 7.6 million tons, China accounts for a large portion of the projected growth in beef consumption by major consumers in 2006 due to the sheer

size of the market. Despite higher beef prices, an increase in western-style dining in China and greater disposable income supports growth. Percentage increases in consumption in 2006 are also significant in Egypt, Hong Kong, Korea and Uruguay.

Pork

Pork consumption in the major consuming countries is expected to grow about 3 percent in 2006 and again China accounts for the largest portion (76 percent) of forecasted growth. One of the few countries in which a decline in consumption is anticipated in 2006 is Japan. While the decline in Japanese pork consumption is minor, less than 2 percent, it demonstrates the market is readjusting. In 2004, mainly due to import bans on U.S. beef due to BSE and Asian poultry due to AI, Japan experienced unusually high levels of demand for pork. As Japan adjusts to supply shocks to the beef and poultry sectors, pork consumption is forecast to return to more historic levels.

Poultry

Unlike beef and pork, the forecast global increase in poultry consumption is not concentrated in one country. Broiler meat consumption in selected countries will continue to increase to slightly over 3 percent in 2006. Substantial increases in broiler meat consumption from 2005 to 2006 are forecasted for Brazil (4 percent) China (3 percent), India (16 percent) Mexico (5 percent), and Russia (7 percent). While the United States is anticipating a 3-percent increase in broiler meat consumption, it accounts for 21 percent of the increase among major consumers.

A number of counties with highly pathogenic avian influenza (HPAI) outbreaks have experienced drops in domestic consumption as consumers lack information about the nature of the disease and preventive measures. However as consumers respond to better information, they begin to return to prior consumption levels. For example:

Thailand: After a sharp drop in domestic consumption in 2003 and 2004, poultry consumption in 2005 is estimated to begin recovering. In addition, despite an upward trend in domestic poultry prices, Thai consumption is forecast to grow 7 percent to 760,000 tons in 2006 due to increasing consumer confidence in product safety and competitive prices compared to other meats.

Indonesia: Similar to Thailand, consumer confidence in poultry is returning after AI related human deaths in 2005 negatively impacted demand. Poultry consumption dropped about 20 percent after the announcement of human AI deaths in Indonesia in July 2005. However, sales at quick-serve chain outlets, which are primarily located in urban areas, reported normal sales during the AI outbreak. By August 2005, consumer confidence and purchases of poultry meat began to rise. As a result, the decline in Indonesian poultry consumption was only a very short-term reaction by consumers who quickly returned to normal patterns. Thus, the shock did not have a negative impact on annual Indonesian poultry consumption which will actually increase 2 percent in 2005.